



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0146	Title:	Expand class III gambling on reservations
Primary Sponsor:	Jayne, J.	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
Expenditures:				
General Fund	\$26,565	\$26,565	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	(\$676,460)	(\$1,399,194)	(\$2,198,364)
State Special Revenue	\$0	(\$52,260)	(\$106,000)	(\$162,000)
Net Impact-General Fund Balance	<u>(\$26,565)</u>	<u>(\$703,025)</u>	<u>(\$1,399,194)</u>	<u>(\$2,198,364)</u>

Description of Fiscal Impact:

The bill allows the Governor to negotiate State/Tribal gaming compacts which exceed the state laws on gaming activity. This has two fiscal impacts: (1) the administrative expense of negotiating new gaming compacts and (2) the potential general fund gaming revenue loss. The general fund revenues from taxable gaming activities could decrease if the compacts negotiated expand tribal gaming and if reservation gaming offsets other establishments' gaming business.

FISCAL ANALYSIS**Assumptions:**

1. This bill will require the establishment of new revenue gaming compacts with each tribe.
2. On average, it will take eight negotiation sessions to finalize a new compact.
3. Four negotiation sessions will occur at each respective reservation and four will occur in Helena.
4. The 2009 biennium expense of \$53,130 associated with holding eight negotiation session with each tribe is outlined in the table below:

Expenses Associated with of Tribal Gaming Negotiation Sessions							
<u>Reservation</u>	<u>Destination</u>	<u>Method</u>	<u>Distance (hrs or mi)</u>	<u>Flight Cost</u>	<u>Driving Cost</u>	<u>Per Diem</u>	<u>Visit Exp.</u>
Blackfeet	Browning	Fly	1.5	\$1,650	\$11	92	\$1,753
Flathead	Pablo	Drive	375	\$0	\$37	92	\$129
Fort Belknap	Harlem	Fly	1.5	\$1,650	\$11	92	\$1,753
Rocky Boy	Box Elder (Havre)	Drive	425	\$0	\$39	92	\$131
Fort Peck	Poplar	Fly	3.2	\$3,520	\$11	92	\$3,623
Crow	Crow Agency (Hardin)	Fly	2	\$2,200	\$11	92	\$2,303
Northern Cheyenne	Lame Deer (Colstrip)	Fly	3	\$3,300	\$11	92	\$3,403
One Visit Total:							\$13,095
4 Visits							x 4
4 Visit Total:							\$52,380
Expense for Negotiations in Helena							\$150
4 Visits							x 4
4 Visit Total:							\$600
Total Expense:							\$53,130

5. If HB 146 results in the Governor negotiating class III Vegas-style gambling, it is assumed (1) these establishments will be competitive with the other gaming establishments in the state and (2) with the additional gambling allowed, the more robust gambling establishments will take some of the limited gambling business from other establishments. As the Tribal business activity on reservation is not taxed, this will result in decreased general fund revenue from the video gaming tax and the license fee on each gaming machine. There is no basis for a specific revenue estimate and for the purposes of this fiscal note, 1% is used in FY 2009, 2% in FY 2010, and 3% in FY 2011. It is assumed that it will take until FY 2008 to renegotiate any new compacts and that some compacts will not be fully negotiated until FY 2009.
6. A 1% loss of revenue in FY 2009 is \$676,460 for the general fund (\$67,646,000 x 0.01) and \$52,260 for the gaming license fees (\$5,226,000 x 0.01).
7. A 2% loss of revenue in FY 2010 is \$1,399,194 for the general fund (\$69,959,700 x 0.02) and \$106,000 for the gaming license fees (\$5,300,000 x 0.02).
8. A 3% loss of revenue in FY 2011 is \$2,198,364 for the general fund (\$73,278,800 x 0.03) and \$162,000 for the gaming license fees (\$5,400,000 x 0.03).

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
FTE	\$0	\$0	\$0	\$0
<u>Expenditures:</u>				
Operating Expenses	\$26,565	\$26,565	\$0	\$0
TOTAL Expenditures	\$26,565	\$26,565	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$26,565	\$26,565	\$0	\$0
TOTAL Funding of Exp.	\$26,565	\$26,565	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	\$0	(\$676,460)	(\$1,399,194)	(\$2,198,364)
State Special Revenue (02)	\$0	(\$52,260)	(\$106,000)	(\$162,000)
TOTAL Revenues	\$0	(\$728,720)	(\$1,505,194)	(\$2,360,364)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$26,565)	(\$703,025)	(\$1,399,194)	(\$2,198,364)

Technical Notes:

1. Constitutional issues are raised by HB 146 under Article III, section 9 of the Montana constitution. Article III, section 9 of the Montana constitution provides that gambling law and policy is to be authorized by acts of the legislature or by the people through initiative or referendum. A delegation of that constitutional authority by the legislature to the governor may be unconstitutional.
2. If HB 146 were to pass 23-5-176, MCA must be amended to be consistent with Section 3 of HB146. The amended language must disallow state gambling licenses under a class III tribal-state gaming compact. The proposed additional language to 23-5-176, MCA would read “(5) The license or permit would not be allowed under a class III tribal-state gaming compact.”

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date